

WASHINGTON POST  
19 April 1987

# Meese Didn't Ask Casey a Key Question

## *Attorney General Defends Failure to Discuss Possible Fund Diversion*

By Bob Woodward  
and Howard Kurtz  
Washington Post Staff Writers

At the invitation of CIA Director William J. Casey, Attorney General Edwin Meese III dropped by Casey's home in McLean on the evening of last Nov. 22 for a beer and a chat about the attorney general's day-old fact-finding inquiry into U.S. arms sales to Iran.

Meese said in an interview that Casey told him that intermediaries who had helped finance the secret

arms deals "were saying either pay us the money we're owed or else we're going to try to make it look bad."

Investigators working on the Iran-contra affair now have concluded that the Reagan administration was effectively being blackmailed by Iranian intermediaries and financiers who were owed \$10 million they had advanced to finance the arms sales. The intermediaries' threats were relayed through New York businessman Roy Furmark, a longtime Casey friend who met five times with Casey or his emissaries and warned repeatedly that the administration's secret arms deals with Iran would be publicly exposed unless the money was repaid.

Just hours before visiting Casey that Saturday evening, Meese had read the "smoking gun" memo, found in Lt. Col. Oliver L. North's White House files, which said \$12 million from the Iran arms sales would be spent on the contras. That afternoon a Meese aide conducting the weekend inquiry with him also had read intercepts of conversations involving participants in the arms sales to Iran which—according to Senate sources who have read them—strongly suggested that something suspicious had happened to millions of dollars in the deals.

But during their conversation that evening, Meese said, he did not raise the question of a possible diversion of funds or ask Casey any questions about it. He did not ques-

tion Casey—the director of all U.S. covert operations—about what had happened, Meese said, because he thought such questioning might be inappropriate and because he believed Casey knew nothing about any diversion of funds.

Moreover, Meese said in the interview in his office Thursday, his close ally Casey did not raise the subject either. This was the first extensive interview Meese has given on his handling of the Iran-contra affair.

Casey had invited Meese to come by his home on Nov. 22 "to let me know about something," Meese said. That something was Furmark's warnings about the unhappy financiers.

Meese's inquiry—an attempt to assemble the story of the Iran arms deals for President Reagan, he said—was initiated two days earlier after Secretary of State George P. Shultz had warned Reagan in a tense meeting that Casey was planning to give misleading testimony to Congress on Friday, Nov. 21, about the arms sales.

Meese said he still believes there was no need for the Justice Department to launch a criminal investigation at that point. Instead, Meese continued his informal inquiry and questioned North the following day, an interview that now cannot be used as evidence because Meese did not read North his rights.

Meese was asked: "Looking back, were there enough signs at that point for you to say to yourself, maybe I shouldn't go and interview Ollie North, maybe it's time to bring the FBI in?"

"Not at all," Meese replied. "There wasn't anything that would have given that impression."

Even if he had known that profits from the Iran arms sales were being diverted to aid the Nicaraguan rebels, Meese said: "There are circumstances under which it all could have been a very legitimate thing." If the diversion was "authorized" by then-national security adviser John

M. Poindexter, Meese said, it could have been proper.

Meese said he was simply trying "to put together a coherent summary" on the Iran affair. But although he was gathering facts and not conducting a criminal probe, Meese said he followed his "instinct" in not asking Casey about the memo, which said that "\$12 million [generated by the arms sales] will be used to purchase critically needed supplies for the Nicaraguan democratic resistance forces."

Meese said: "One of the things you don't do is you don't tell somebody something until you know what it's all about . . . If I was going to have to talk to Casey about this, if there was any indication that he was involved or knew about it, I wanted to find out what North knew before I talked to Casey about it. That was just a common sense way of approaching it."

Asked whether this did not suggest that Meese felt he was conducting "kind of a quasi-criminal inquiry" at the time he talked to Casey, the attorney general replied that "it's just kind of a natural instinct" to avoid such questioning, whether or not it was a criminal investigation.

Meese said in the interview that the unsigned, undated "smoking gun" memo did not provide clear evidence of wrongdoing. The memo was a detailed, 2,000-word document describing the history of the arms-for-hostages deals and outlining the secret mission to Tehran to be undertaken by former national security adviser Robert C. McFarlane. The diversion of \$12 million to the contras was described in one paragraph of the memo.

"At that time we didn't know if this was a memo, somebody's pipe dream, a proposal that had been implemented, hadn't been implemented or anything else. We just had this thing there," the attorney general said.

Continued

The day after the interview, a Justice Department spokesman called a reporter to add that several drafts of the "smoking gun" memo had been found in White House files that Saturday and that only one of them contained the paragraph on diverting funds to the contras.

Asked whether he viewed the intermediaries' threats conveyed to him Nov. 22 by Casey as attempted blackmail, Meese said: "It didn't sound to me like Casey thought Furmark was blackmailing, but the other people who were trying to send these messages through Furmark were trying to, in effect, say either pay us the money we're owed or else we're going to try to make it look bad."

Asked whether this seemed like a key piece of information, he said: "Not particularly at the time, no."

By the time Meese called in the Federal Bureau of Investigation after disclosing the diversion of funds in a Nov. 25 news conference, North and his secretary, Fawn Hall, had shredded numerous National Security Council documents and altered others, according to informed sources.

In the interview, Meese strongly defended his handling of the four-day inquiry, which is being scrutinized by congressional investigators and by independent counsel Lawrence E. Walsh.

"I doubt if there's any person who's ever held the position of attorney general who'd have done it differently," he said.

"I think we did all the right things knowing what we knew at the time . . . . If we had brought the FBI in, we would have been criticized for using the FBI for political purposes, using them for something that had nothing to do with criminality."

Meese agreed that "in hindsight, it looks far different." But he said the recent criticism "makes it sound like we knew something was wrong and were trying to prove it.

"I've probably done more criminal investigations than most people who have ever been in this building . . . and there was nothing to indicate to me or to anyone else who was with me that there was anything wrong," he said.

Another problem, Meese said, is that "this was the most sensitive thing that had happened in the entire administration as far as maintaining absolute security about it. As a result, no records were kept. People didn't write things down. I didn't write anything down about it for the entire time."

In the five months since Meese disclosed the clandestine aid to the contras, questions have persisted about how much he knew when he began the Nov. 21 inquiry with Assistant Attorney General William Bradford Reynolds and two other aides who had no prosecutorial experience.

Sources said that the Senate intelligence committee quietly alerted Meese before his inquiry began that there were money problems involving the Iran arms sales.

The sources said this occurred after the panel sent an investigator, Edward P. Levine, to the National Security Agency on Nov. 20 to review intercepted communications involving intermediaries in the arms deals that showed a pattern of overcharges.

Said one source, "Meese knew when the 21st [of November] rolled around that there was big trouble and it was big money." But in the interview Meese denied this, saying, "I didn't get anything from the Senate intelligence committee, never had any contact with them."

Justice Department spokesman Terry H. Eastland said Meese and his assistants are certain that the first they heard of NSA intercepts was on Friday, Nov. 21, when a top Meese aide attended Casey's closed-door testimony before the Senate intelligence panel and the intercepts were touched on in the questioning.

Meese said he began the informal inquiry because there was "confusion" within the administration about the details of the Iran arms sales as Casey was preparing his Senate testimony, and he feared the administration might "look silly." Meese briefly discussed the matter with FBI Director William H. Webster on Nov. 21, and both agreed there was no need for the bureau to enter the case.

Even after Casey testified that day, Meese said he pursued the inquiry all week-end because the president wanted to discuss the Iran affair at a White House meeting the following Monday.

Evidence reported by the Senate Select Committee on Intelligence and the presidentially appointed Tower commission shows that by the time Meese visited Casey's home on Nov. 22 Casey had known of the possible diversion of funds for at least six weeks.

On Oct. 7, Furmark went to Casey and told him that the U.S. role would be exposed unless the intermediaries were paid the \$10 million they were owed. Furmark pressed the issue with Casey or his aides four more times over the next seven weeks.

Furmark has said he was not involved in any blackmail attempt and was merely acting as an emissary for Saudi financier Adnan Khashoggi, who was seeking repayment of

the \$10 million that two Canadian investors had put up for the arms deals.

Casey also met Oct. 7 with Charles Allen, then the CIA's national intelligence officer for counterterrorism. Allen told the Tower commission that he "raised the issue of diversion to the contras" with Casey.

Asked whether he now believes in light of this evidence that Casey had been aware of the diversion of funds, Meese said, "I don't want to conjecture on that. I have the feeling that if Bill did know he probably would have told me."

Asked whether the report by the Tower commission provided sufficient evidence that Casey had been warned of a possible diversion, Meese replied: "Not necessarily, because Bill wasn't able to testify." Since undergoing surgery for a cancerous brain tumor in December, Casey has been unable to speak to investigators. He resigned as CIA director in January.

Pressed about why he didn't ask Casey Nov. 22 about the possible diversion of funds cited in the "smoking gun" memo, Meese said: "Because he wouldn't have known anything about that."

Meese said Casey's account of the intermediaries' threats to publicize the sale of U.S. arms through Israel to Iran—transactions orchestrated by officials on the National Security Council staff—did not alert him to any possible criminality. "Some Iranians were arguing over money or haggling over money . . . . I mean, who knows what happens in Iran," Meese said.

Meese said Casey made "no reference to Nicaragua" that evening. "I think that what he said was that these fellows were going to say if they didn't get their money they were going to allege that money had been used by Israel for projects of Israel or the United States," Meese said.

Meese added that he was not sure whether Casey said this at their Saturday night meeting or in memos Casey sent the attorney general three days later.

The attorney general went to Casey's home again at 7 a.m. on Nov. 25, hours before North was fired and Meese publicly disclosed the diversion of funds. Meese said the early-morning meeting with Casey was "just basically to talk over the situation."